
By: **Senators Astle, Colburn, DeGrange, Garagiola, Harris, Hooper, Jacobs,
Lawlah, Munson, and Stone**

Introduced and read first time: January 31, 2003

Assigned to: Budget and Taxation

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: April 3, 2003

CHAPTER _____

1 AN ACT concerning

2 ~~Income Tax Subtraction Modification Military Retirement Income~~
3 ~~Task Force to Study the Financial Impact of Retired Military Service~~
4 ~~Personnel on the Economy of the State~~

5 ~~FOR the purpose of altering a certain subtraction modification under the Maryland~~
6 ~~income tax for military retirement income over a certain period of time;~~
7 ~~providing that retirement income that is included in a certain subtraction may~~
8 ~~not be taken into account for purposes of a certain subtraction modification~~
9 ~~allowed under the income tax for certain individuals who are at least a certain~~
10 ~~age or who are disabled or have disabled spouses; providing for the application~~
11 ~~of this Act; and generally relating to a subtraction modification for military~~
12 ~~retirement income.~~

13 FOR the purpose of establishing a Task Force to Study the Financial Impact of
14 Retired Military Service Personnel on the Economy of the State; providing for
15 the composition of the Task Force; requiring the Governor to designate the
16 chairman of the Task Force; providing for the staffing of the Task Force;
17 prohibiting a member from receiving certain compensation; authorizing a
18 member to receive certain reimbursement; establishing the duties of the Task
19 Force; requiring the Task Force to report its findings to the Governor and the
20 General Assembly; providing for the termination of this Act; and generally
21 relating to a Task Force to Study the Financial Impact of Retired Military
22 Service Personnel on the Economy of the State.

23 ~~BY repealing and reenacting, without amendments,~~
24 ~~Article Tax General~~
25 ~~Section 10-207(a)~~

1 Annotated Code of Maryland
2 (1997 Replacement Volume and 2002 Supplement)

3 ~~BY repealing and reenacting, with amendments,~~
4 ~~Article Tax General~~
5 ~~Section 10-207(q) and 10-209~~
6 ~~Annotated Code of Maryland~~
7 ~~(1997 Replacement Volume and 2002 Supplement)~~

8 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
9 MARYLAND, That the Laws of Maryland read as follows:

10 **~~Article Tax General~~**

11 ~~10-207.~~

12 (a) ~~To the extent included in federal adjusted gross income, the amounts under~~
13 ~~this section are subtracted from the federal adjusted gross income of a resident to~~
14 ~~determine Maryland adjusted gross income.~~

15 (q) (1) ~~[The] EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS~~
16 ~~SUBSECTION, THE subtraction under subsection (a) of this section includes [the first~~
17 ~~\$2,500 of military retirement income received by an individual during the taxable~~
18 ~~year, if the individual:~~

19 (i) ~~is at least 55 years old on the last day of the taxable year; and~~

20 (ii) ~~was an enlisted member of the military at the time of~~
21 ~~retirement.~~

22 (2) ~~The amount of the subtraction under paragraph (1) of this subsection:~~

23 (i) ~~is reduced by 50% of the amount by which federal adjusted~~
24 ~~gross income exceeds \$17,500; and~~

25 (ii) ~~is reduced to zero if federal adjusted gross income exceeds~~
26 ~~\$22,500] 100% OF MILITARY RETIREMENT INCOME RECEIVED BY AN INDIVIDUAL~~
27 ~~DURING THE TAXABLE YEAR.~~

28 (2) ~~FOR A TAXABLE YEAR BEGINNING BEFORE JANUARY 1, 2008, THE~~
29 ~~FOLLOWING PERCENTAGE OF MILITARY RETIREMENT INCOME RECEIVED BY AN~~
30 ~~INDIVIDUAL DURING A TAXABLE YEAR IS SUBTRACTED UNDER SUBSECTION (A) OF~~
31 ~~THIS SECTION:~~

32 (I) ~~20% FOR A TAXABLE YEAR ENDING AFTER DECEMBER 31, 2003~~
33 ~~AND BEGINNING BEFORE JANUARY 1, 2005;~~

34 (II) ~~40% FOR A TAXABLE YEAR ENDING AFTER DECEMBER 31, 2004~~
35 ~~AND BEGINNING BEFORE JANUARY 1, 2006;~~

1 (III) 60% FOR A TAXABLE YEAR ENDING AFTER DECEMBER 31, 2005
 2 AND BEGINNING BEFORE JANUARY 1, 2007; AND

3 (IV) 80% FOR A TAXABLE YEAR ENDING AFTER DECEMBER 31, 2007
 4 AND BEGINNING BEFORE JANUARY 1, 2008.

5 ~~10-209.~~

6 (a) ~~In this section:~~

7 (1) "employee retirement system" means a plan:

8 (i) established and maintained by an employer for the benefit of its
 9 employees; and

10 (ii) qualified under § 401(a), § 403, or § 457(b) of the Internal
 11 Revenue Code; and

12 (2) "employee retirement system" does not include:

13 (i) an individual retirement account or annuity under § 408 of the
 14 Internal Revenue Code;

15 (ii) a Roth individual retirement account under § 408A of the
 16 Internal Revenue Code;

17 (iii) a rollover individual retirement account;

18 (iv) a simplified employee pension under Internal Revenue Code §
 19 408(k); or

20 (v) an ineligible deferred compensation plan under § 457(f) of the
 21 Internal Revenue Code.

22 (b) ~~[To] SUBJECT TO SUBSECTION (D) OF THIS SECTION, TO determine~~
 23 ~~Maryland adjusted gross income, if, on the last day of the taxable year, a resident is at~~
 24 ~~least 65 years old or is totally disabled or the resident's spouse is totally disabled, an~~
 25 ~~amount is subtracted from federal adjusted gross income equal to the lesser of:~~

26 (1) ~~the cumulative or total annuity, pension, or endowment income from~~
 27 ~~an employee retirement system included in federal adjusted gross income; or~~

28 (2) ~~the maximum annual benefit under the Social Security Act computed~~
 29 ~~under subsection (c) of this section, less any payment received as old age, survivors, or~~
 30 ~~disability benefits under the Social Security Act, the Railroad Retirement Act, or both.~~

31 (c) For purposes of subsection (b)(2) of this section, the Comptroller:

32 (1) shall determine the maximum annual benefit under the Social
 33 Security Act allowed for an individual who retired at age 65 for the prior calendar
 34 year; and

1 (2) ~~may allow the subtraction to the nearest \$100.~~

2 ~~(D) RETIREMENT INCOME THAT IS INCLUDED IN THE SUBTRACTION UNDER §~~
3 ~~10-207(Q) OF THIS SUBTITLE MAY NOT BE TAKEN INTO ACCOUNT FOR PURPOSES OF~~
4 ~~THE SUBTRACTION UNDER THIS SECTION.~~

5 ~~SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect~~
6 ~~July 1, 2003 and shall be applicable to all taxable years after December 31, 2003.~~

7 (a) There is a Task Force to Study the Financial Impact of Retired Military
8 Service Personnel on the Economy of the State.

9 (b) The Task Force consists of the following members:

10 (1) one member of the Maryland House of Delegates, appointed by the
11 Speaker of the House;

12 (2) one member of the Senate of Maryland, appointed by the President of
13 the Senate;

14 (3) the Secretary of the Maryland Department of Veterans Affairs, or the
15 Secretary's designee;

16 (4) the State Comptroller, or the Comptroller's designee; and

17 (5) the following members, appointed by the Governor:

18 (i) one representative from the American Legion;

19 (ii) one representative from the Veterans of Foreign Wars;

20 (iii) one representative from the Military Officers Association;

21 (iv) one representative from the Retired Enlisted Association;

22 (v) one representative who is a certified public accountant; and

23 (vi) three representatives from the general public.

24 (c) The Governor shall designate the chairman of the Task Force.

25 (d) The Maryland Department of Veterans Affairs and the State Comptroller's
26 Office, shall provide staffing for the Task Force.

27 (e) A member of the Task Force:

28 (1) may not receive compensation; but

29 (2) is entitled to reimbursement for expenses under the Standard State
30 Travel Regulations, as provided in the State budget.

- 1 (f) The Task Force shall:
- 2 (1) determine the number of retired military service personnel in the
3 State of Maryland;
- 4 (2) determine the number of retired military service personnel engaged
5 in a second career or secondary employment of any kind;
- 6 (3) determine the average total income of retired military service
7 personnel including any secondary employment income or secondary career income,
8 military retirement income, or other retirement income;
- 9 (4) determine the value of any additional benefits or programs available
10 to retired military personnel;
- 11 (5) determine the average expenditures by retired military service
12 personnel on an annual basis for goods and services and the estimated sales tax
13 generated by retired military service personnel in the State;
- 14 (6) determine the average expenditures in the form of State, county, and
15 local government services delivered to retired military service personnel and their
16 families;
- 17 (7) determine the cost of health care services provided by the State to
18 retired military service personnel and their families;
- 19 (8) determine the average State, county, and local real estate taxes paid
20 by retired military service personnel on an annual basis;
- 21 (9) review a comparison of the total tax burden in the State for military
22 retirees as compared to other states; and
- 23 (10) review a comparison of the total tax burden in the State including
24 provisions of the State law exempting retirement income and military retirement
25 income from taxation and any property tax or other tax benefits for retirees or
26 military retirees, as compared to other states.
- 27 (g) The Task Force shall report its findings to the Governor and, in accordance
28 with § 2-1246 of the State Government Article, the General Assembly on or before
29 December 1, 2003.

30 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take
31 effect July 1, 2003. It shall remain effective for a period of 6 months and, at the end of
32 December 31, 2003, with no further action required by the General Assembly, this Act
33 shall be abrogated and of no further force and effect.

